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## SUMMARY

### A DIVIDED ECONOMY

For decades, Westminster government has enabled deep divisions to grow in this country: divisions between whole regions of England; divisions between cities, towns and villages; and divisions within places, between people. London and the South East – home to just one-third of the England's population – has accounted for almost half (47 per cent) of the country's increase in jobs in the last decade. The UK is the most regionally unequal country in the developed world: inner London is one of the most productive areas in the whole of the EU, while, in other parts of the UK, productivity is similar to Poland, Hungary and Romania.

But London's people are also excluded by Westminster's policies. The capital may appear highly productive, but its economy is also exclusive and extractive: almost two-thirds of the increase in jobs since 2010 have been managers, directors, senior officials, or professionals, while many other jobs are insecure and low paid. The economic growth of London is disproportionately reliant on profit and rents, and house prices have risen to 13 times the average annual earnings – when it is only 5.5 times the earnings in the North East. London has the highest rates of poverty and inequality in the country.

This is the reality of the so-called 'North-South divide'. Our economy isn't working for *any* part of England – not even the capital. This situation is unique in the developed world, and it is increasingly unsustainable.

Several different solutions are often proposed. People rightly argue that the country needs a place-based industrial strategy, or that regions outside of London need a far larger share of central government investment in innovation, R&D, infrastructure, education, and skills if they are to prosper. People also rightly argue that our second-tier cities like Manchester, Birmingham and Bristol should be developed and connected together more efficiently – as should our towns, villages, and the many other economic assets that work together to create more prosperous economies and a better quality of life.

But the underlying cause of this problem is over-centralisation, and therefore devolution presents a major opportunity to improve economic prosperity across the country. In other developed countries, there are powerful subnational governments invested in the success of their region, town or city. But, in England, it is the Treasury that decides the fates of our regions. As a result, successive governments have focussed investments and economic policy on London and the South East as if it's the 'economic engine'

## RECOMMENDATIONS

Delivering a 'devolution parliament' is crucial and requires bold reforms at all levels of government – from the national, to the regional, subregional and local tiers.

To achieve this, the government must act on five priorities.

- 1. Roll out an inclusive devolution process for all of England**
  - set out a coherent plan for a devolution parliament
  - set up a Convention on Devolution in England
  - set up a long-term devolution framework and a joint devolution panel.
- 2. Devolve fiscal powers in phases, in a fair and sensible way**
  - reverse austerity and re-found fiscal devolution on progressive principles
  - devolve real fiscal powers, with appropriate safeguards, in phases
  - build up and devolve an inclusive growth and resilience fund.
- 3. Develop a locally led regional tier of government**
  - devolve powers to regions that complement those of combined authorities
  - develop regional institutions at a scale appropriate for England's economic geography and the global economy in which it operates

of the country – a region that can maximise short-term GDP growth and tax returns for the Treasury. Devolution within England would enable regions, towns and cities to invest in their strengths.

## THE CASE FOR DEVOLUTION

There is a strong case for the devolution of political and economic power within England. Devolution brings power back down to the people, and away from Westminster, where many damaging policies have originated. But there is a strong, positive case for devolution too: research shows that local policymakers are able to give a higher level of attention, responsiveness and insight; that they are more accountable, transparent and traceable; and that they are more efficient coordinators of economic policy within a place – better able to integrate land-use planning, transport and housing; or skills, education and employment support, for example. Like any policy, there are many things that need to be considered – particularly concerns about local, regional and national identity that must be respected. But if devolution is done properly, and if devolved governance and institutions are strong, then it could lay the foundations of a far more inclusive and prosperous economy in all of England's regions.

## THE FLAWS IN THE CURRENT DEVOLUTION PROCESS

But the most recent process of 'devolution' is deeply flawed. Since 2014, some powers have been **decentralised** or **delegated** to mayors, combined authorities and regional transport bodies, and this has been branded as 'devolution'. Fundamentally, however, the current process is not real devolution – real power has remained with central government, while other important areas of policy have actually become centralised and local government capacity has been cut severely.

The current problems with devolution have a root cause: the process of devolution has itself been centralised. It has been subject to the whims of individual ministers in Whitehall – especially George Osborne in the Treasury – conducted through opaque backroom 'deals', and often held back by Westminster politicians' manoeuvrings. While deals between Whitehall and city-region leaders arguably helped unblock devolution and build momentum in certain places, this will now need to change: devolution must be delegated to a fair process, and taken forward by a partnership between local and central government.

The government have pledged to 'level up' the UK, by reducing the inequalities between regions. Committing to a comprehensive programme of devolution could provide a strong system of governance at a sub-regional level.

- develop regional capacity, drawing on existing capacity and from central government
- regional governance should evolve as powers are taken on.

### 4. Devolve economic powers to city regions and non-metropolitan areas

- support subregional reform into more accountable structures, such as combined authorities, and enable more citizen involvement
- devolve real economic power where appropriate to subregional combined authorities, and other reformed subregional authorities
- set up a capacity fund to pump prime the capacity of new combined authorities and other reformed subregional authorities
- rationalise, reform and integrate local enterprise partnerships.

### 5. Permanently reform central-local relationships with a new constitution

- set up a National Economic Council that includes regional representation
- reform the House of Lords, through a constitutional convention, to ensure regional representation is embedded in national government permanently.

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**Institute for Public Policy Research**

IPPR North, 20th Floor, City Tower, Piccadilly Plaza, Manchester M1 4BT | [www.IPPR.org/north](http://www.IPPR.org/north) | [@IPPRNorth](https://twitter.com/IPPRNorth)

